

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 EUR-12 NEA-09 ISO-00 ERDA-05 FEA-01

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FM AMEMBASSY ALGIERS

TO SECSTATE WASHDC 2093

INFO AMEMBASSY JIDDA

AMEMBASSY LAGOS

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

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E.O. 11652: N/A

TAGS: ENRG, AG

REF: (A) ALGIERS 0613 (NOTAL) (B) ALGIERS 045 (NOTAL)

1. SONATRACH OFFICIAL CONFIRMED MARCH 11, 1975 THAT ALGERIA'S NEW, SECOND QUARTER MARKET PRICE FOR CRUDE OIL WOULD BE DOLS. 11.75 A BARREL. ALGERIANS SEEM TO HAVE WAIVED THEIR SYSTEM OF 20 CENTS EXTRA IF YOU DO NOT PROSPECT IN ALGERIA. THIS MEANS COMPANIES WITH JOINT-EXPLORATION CONTRACTS WITH SONATRACH ARE REALLY PAYING MORE FOR ALGERIAN CRUDE THAN MARKET PRICE.

2. SONATRACH OFFICIAL ALSO DENIED PIW'S REPORT THAT ALGERIANS WERE GIVING EXTENDED CREDIT TERMS.

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3. EVEN WITH THIS CUT IN PRICE, ALGERIAN OIL IS OVERPRICED COMPARED TO GULF MARKER CRUDE AND FURTHER PRICE REDUCTIONS ARE EXPECTED.

4. NEXT STEP IS TO BRING ALGERIAN TAX LAWS ON OIL PRODUCTION INTO CONFORMITY WITH OPEC. GOA IS REPORTED TO BE DRAFTING NECESSARY LEGISLATION WHICH WILL RAISE EXCISE TAX ON OIL FROM 16.67 PERCENT TO 20 PERCENT. UNDER DRAFT PROPOSAL INCOME TAX ON OIL PROFITS IN TURN WILL BE RAISED FROM PRESENT 56.4 PERCENT TO 85 PERCENT. FINALLY THE POSTED PRICE WOULD BE LOWERED FROM PRESENT DOLS. 16.216 TO DOLS. 12.50. THESE CHANGES WOULD ONLY EFFECT OIL PRODUCERS IN ALGERIA-TOTAL, ERAP AND GETTY, WHO ARE OBJECTING. CALCULATION SHOWS THAT USING THESE FIGURES PRODUCERS WILL PAY ALMOST AS MUCH FOR ALGERIAN OIL AS MARKET PRICE. WHEN ONE ADDS IN REAL PRODUCTION COSTS, INCLUDING EXPLORATION AND CAPITAL INVESTMENT, PRODUCERS PROBABLY PAYING MORE THAN MARKET PRICE. IT ALSO IS A BLOW TO ANY INCENTIVE TO FORM A JOINT VENTURE WITH SONATRAC .

5. A BRIEF COMPARISON OF ALGERIAN OIL PRICES PRODUCES THESE DOLLAR FIGURES:

A. MARKET PRICE- 11.75

B. OLD PRODUCER COST
POSTED PRICE 16.216
3/8 3 5-/ 16.67 PERCENT - 2.70
PRODUCTION COST 1.00
PROFIT TAX 56.4 PERCENT -7.06
PRODUCERS COST 10.76

C. NEW PRODUCER COST-DRAFT PROPOSAL NOT YET ADOPTED
POSTED PRICE 12.50
EXCISE TAX 20 PERCENT 2.50
PRODUCTION COST 1.00
PROFIT TAX 85 PERCENT ON 9.00 -7.65
PRODUCER COST- 11.15

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6 EMBASSY HAS FORECAST ALGERIAN OIL PRODUCTION AS

BEING DOWN TO ABOUT 900 THOUSAND BARRELS A DAY OR 43 MILLION TONS A YEAR REFTEL B. PIW HAS JUST PUBLISHED FIGURE OF 800 THOUSAND BARRELS A DAY OR 38 MILLIOPSTONS A YEAR. EMBASSY BELIEVES THIS FIGURE LOW,1?75 \$93 NOT KNOW WHERE PIW FIGURE COMES FROM SINCE THEIR REPORTER JUST THROUGH ALGIERS.

FIGURE DOES, HOWEVER, CORRESPOND TO TRENDS NOTED IN
REFTEL A, PARA. 2.
PARKER

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